VareseNews

Industrialists claim "uncertain year opening"

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The survey on the economic situation by the research office of UNIVA, the union of industrialists of the Province of Varese, shows an uncertain opening in the first months of 2014, confirming the slowdown in the economic cycle that had already been recorded in late 2013.

This slowdown, however, looks temporary – the expectations for the next quarter are leaning towards a progressive stabilisation. And it also reflects some uncertainties that are still present on the market, which turn the recovery floating, in an alternation of positive phases in the economic cycle and stalemate periods or temporary worsening. In spite of the improvements recorded in some industrialised countries the instability risks linked to geopolitical uncertainties (first of all, Ukraine's difficult situation), the slowdown of developing countries and, in the Eurozone, the increase in value of the exchange rate and low inflation are weighing on the global scenario. On a national level, signals of recovery are becoming more stable, but such recovery is still weak and being slowed down by some restraints at the moment .

Production

The production trend of the interviewed enterprises of the Province of Varese for the survey on the economic situation shows an economic slowdown in the first quarter of 2014, confirming the fragility of the recovery and its still unstable progress. Compared to the previous quarter, 50% of interviewed enterprises have recorded a slight drop in the production levels, 21% have recorded no changes and 29% have reported an improvement. This outcome, however, is the result of different sector-based dynamics. The metalwork sector, which had anticipated the recovery in the mid-quarters of 2013, shows a deceleration starting from the end of 2013; the production is worsening in the textile and garments sector, which is affected, however, even by the seasonal dynamics typical for this sector; on the contrary, growing production levels have been recorded in the rubber, plastic materials, chemical and pharmaceutical sector.

The short and mid-term forecasts lean towards a stabilisation of the scenario instead. For the next quarter, most of the interviewed enterprises (73%) cautiously expects production levels to be stuck at current numbers, 16% expects an increase and 11% a worsening. Even expanding the forecast development of the next six months, interviewed enterprises keep stable points of view.

The average usage rate of the plants of the enterprises analysed during the quarter was 78.8%.

Orders

The development of the order portfolio is worsening, compared to the previous quarter, being negatively affected by the orders on the national market, which still looks weak. 41% of enterprises in the cross-section have recorded a decrease in orders, 34% have kept the level they had reached in the previous survey and 25% have recorded an improvement.

The trend is actually growing as regards foreign orders, with 67% of interviewed enterprises reporting an improvement in this field, compared to the previous quarter. Nevertheless, this good result was not able to fully balance for the weaknesses of the domestic market.

Labour market

The labour market reflects the uncertainties of the economy. In the first quarter of 2014, altogether 10,067,012 redundancy hours have been permitted in the industrial branch, with a +8.8% increase compared to the same period during last year. Ordinary redundancy hours are dropping (-30.8%), whereas extraordinary and special redundancy hours are rising (+66.4% and +76.9%, respectively). For further details also read “Andamento Cassa Integrazione Guadagni Ordinaria – Development of ordinary redundancy payments, Ed.”. Link to download the file.

Foreign markets

The last data available about foreign trade in the province of Varese for the whole year 2013 are affected by factors of uncertainty that are present on a global scale, and show a slowdown in commercial trade. Export turnover in late 2013 reached 9,846 million euros, a figure dropping by -1.2% compared to 2012. Import turnover during the same span of time recorded a contraction by -5.7%, equal to 5,555 million euros. The trade balance has remained positive (+4,291 million euros) and is growing compared to 2012 (+5.4%).

The markets:

The European Union is still the main consignee of goods exported from Varese, even though the trend of switching exports towards non-EU countries is going on, which started some years ago and has been sharpened by the crisis. In 2013, exports towards countries in the **European Union** dropped by -2.1% compared to the previous year; on the contrary, an improvement can be pointed out in exports towards industrialised countries from which the most significant signals of getting over of the crisis are coming (exports towards The United States has grown by +5.5%, towards Japan by +3.5%), and towards some developing areas (towards Mid-southern America +20.7%, towards **East Asia** +26.6%).

The sectors:

Metalwork sector: enterprises in the metalwork sector in the first quarter of 2014 record a deceleration. Compared to the previous quarter, indeed, 58% of interviewed enterprises point out that production is dropping, as opposed to 8% who reported a growth and 34% who recorded a stable situation. On the other hand, in the next quarter production levels are expected to level off.
The average use rate of the plants of the enterprises analysed during the first quarter was 78.7%. The development in size of the order portfolio in this sector has been negative on average: compared to the previous quarter, 61% of interviewed enterprises have reported a

reduction in orders, against another 30% who have recorded no changes and 8% who have reported an increase instead. The development of foreign orders is diametrically opposite, with 74% of enterprises reporting orders from growing non-Italian markets.

Fashion sector: The economic situation in the textile and garments sector in the first quarter of 2014 has been affected by the uncertainties of the markets and by some seasonal dynamics typical for this sector. As for production, indeed, most of the interviewed enterprises have reported a worsening in production levels, compared to the previous quarter.
Nevertheless, analysed enterprises expect a positive development from the next quarter itself. 57% of them expect an improvement in production in the short term, against 20% who expect a stabilisation in production levels and 23% who expect a worsening.
The average use rate of the plants of the analysed enterprises was 73.2%.
The development of the order portfolio is positive, led by foreign orders. 55% of the enterprises in the cross-section have reported growing orders, compared to the previous quarter, 23% have reported worsening orders and 22% kept the levels of the previous quarter.

Chemical and pharmaceutical sector: The economic situation of the chemical and pharmaceutical sector reports an improvement in the first quarter of 2014. From the point of view of production, most of the interviewed entrepreneurs have indeed reported growing production levels, compared to the previous quarter.
Short-term expectations still cautiously lean towards stability.
The average use rate of the plants of the analysed enterprises was 78.6%.
As regards the order portfolio, 57% of interviewed enterprises have reported no changes, compared to the previous survey, agains 43% who have pointed out an increase in orders. This percentage rises to 83% with reference to leading foreign orders.

Rubber and plastic materials sector: In the first quarter of 2014, the development of the economic situation of the enterprises in the rubber and plastic materials sector has a positive trend. Most of the enterprises in the cross-section have indeed recorded growing production, compared to the previous quarter.
For the next quarter, the enterprises in the cross-section expect production levels to be similar to the current ones. The average use rate of the plants of the analysed enterprises was 86.1%.
As regards the development of orders, the interviewed enterprises divide themselves into those who have recorded a positive development in the order portfolio (56%) and those who have pointed out stable levels, compared to the previous quarter (44%).

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